

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

**ORIGINAL****SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION****This Section must be completed for all projects.****RECEIVED****OCT 06 2017****Facility/Project Identification**

Facility Name: OSF Saint Anthony's Health Center, Alton – Cancer Treatment		
Street Address: One Saint Anthony Way		
City and Zip Code: Alton 62002		
County: Madison	Health Service Area: 11	Health Planning Area: F-01

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD****Applicant(s)** [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: OSF Healthcare System d/b/a OSF Saint Anthony's Health Center
Street Address: 800 N.E. Glen Oak Avenue
City and Zip Code: Peoria 61603
Name of Registered Agent: Sister Theresa Ann Brazeau, OSF
Registered Agent Street Address: 1175 Saint Francis Lane
Registered Agent City and Zip Code: East Peoria 61611
Name of Chief Executive Officer: Kevin Schoepfle
CEO Street Address: 800 N.E. Glen Oak Avenue
CEO City and Zip Code: Peoria 61603
CEO Telephone Number: 309-655-2850

**Type of Ownership of Applicants**

- |  |  |                                |
|--|--|--------------------------------|
| <input checked="" type="checkbox"/> Non-profit Corporation | <input type="checkbox"/> Partnership         |                                |
| <input type="checkbox"/> For-profit Corporation            | <input type="checkbox"/> Governmental        |                                |
| <input type="checkbox"/> Limited Liability Company         | <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Other |

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

**APPEND DOCUMENTATION AS ATTACHMENT 1, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Primary Contact** [Person to receive ALL correspondence or inquiries]

Name: Clare E. Connor
Title: Partner
Company Name: McDermott Will & Emery LLP
Address: 444 W. Lake Street, Suite 4000, Chicago, IL 60606
Telephone Number: 312-984-3365
E-mail Address: cconnor@mwe.com
Fax Number: 312-277-2964

**Additional Contact** [Person who is also authorized to discuss the application for permit]

Name: Mark Hohulin
Title: Senior Vice President, Healthcare Analytics
Company Name: OSF Healthcare System
Address: 530 N.E. Glen Oak Avenue, Peoria, IL 61637
Telephone Number: 309-308-9656
E-mail Address: mark.e.hohulin@osfhealthcare.org
Fax Number: 309-308-0530

**Post Permit Contact**

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]

Name: Mark Hohulin

Title: Senior Vice President, Healthcare Analytics

Company Name: OSF Healthcare System

Address: 800 N.E. Glen Oak Avenue, Peoria, IL 61603

Telephone Number: 309-308-9656

E-mail Address: mark.e.hohulin@osfhealthcare.org

Fax Number: 309-308-0530

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: OSF Healthcare System

Address of Site Owner: 800 N.E. Glen Oak Avenue, Peoria, IL 61603

Street Address or Legal Description of the Site:

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Operating Identity/Licensee**

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: OSF Healthcare System d/b/a OSF Saint Anthony's Health Center

Address: One Saint Anthony Way, Alton, IL 62002

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Non-profit Corporation | <input type="checkbox"/> Partnership         |
| <input type="checkbox"/> For-profit Corporation            | <input type="checkbox"/> Governmental        |
| <input type="checkbox"/> Limited Liability Company         | <input type="checkbox"/> Sole Proprietorship |
|  | <input type="checkbox"/> Other               |

- o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Organizational Relationships**

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Flood Plain Requirements**

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at [www.FEMA.gov](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://www.illinoisfloodmaps.org). This map must be in a readable format. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT 5 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

**Historic Resources Preservation Act Requirements**

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

**DESCRIPTION OF PROJECT****1. Project Classification**

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

- ☐ Substantive  
☒ Non-substantive

## 2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

OSF Saint Anthony's Health Center located in Alton ("Saint Anthony's" or "Hospital") intends to construct an approximately 17,000 gross square foot cancer treatment center on its campus, which will be physically attached to the Hospital building at the ground level. The cancer treatment center ("CTC") will offer medical oncology physician office space/exam rooms, infusion therapy, radiation oncology (linear accelerator), CT, lab, pharmacy and education/class rooms all dedicated to cancer care and treatment. No new services are being proposed. Rather the services and equipment dedicated to cancer care currently will be relocated from an area off the Hospital's campus to a modern building in a more efficient location i.e., next to/attached to the Hospital itself. Further, the current linear accelerator, CT and infusion therapy chairs will be updated to state of the art. A stacking diagram of the building is attached hereto.

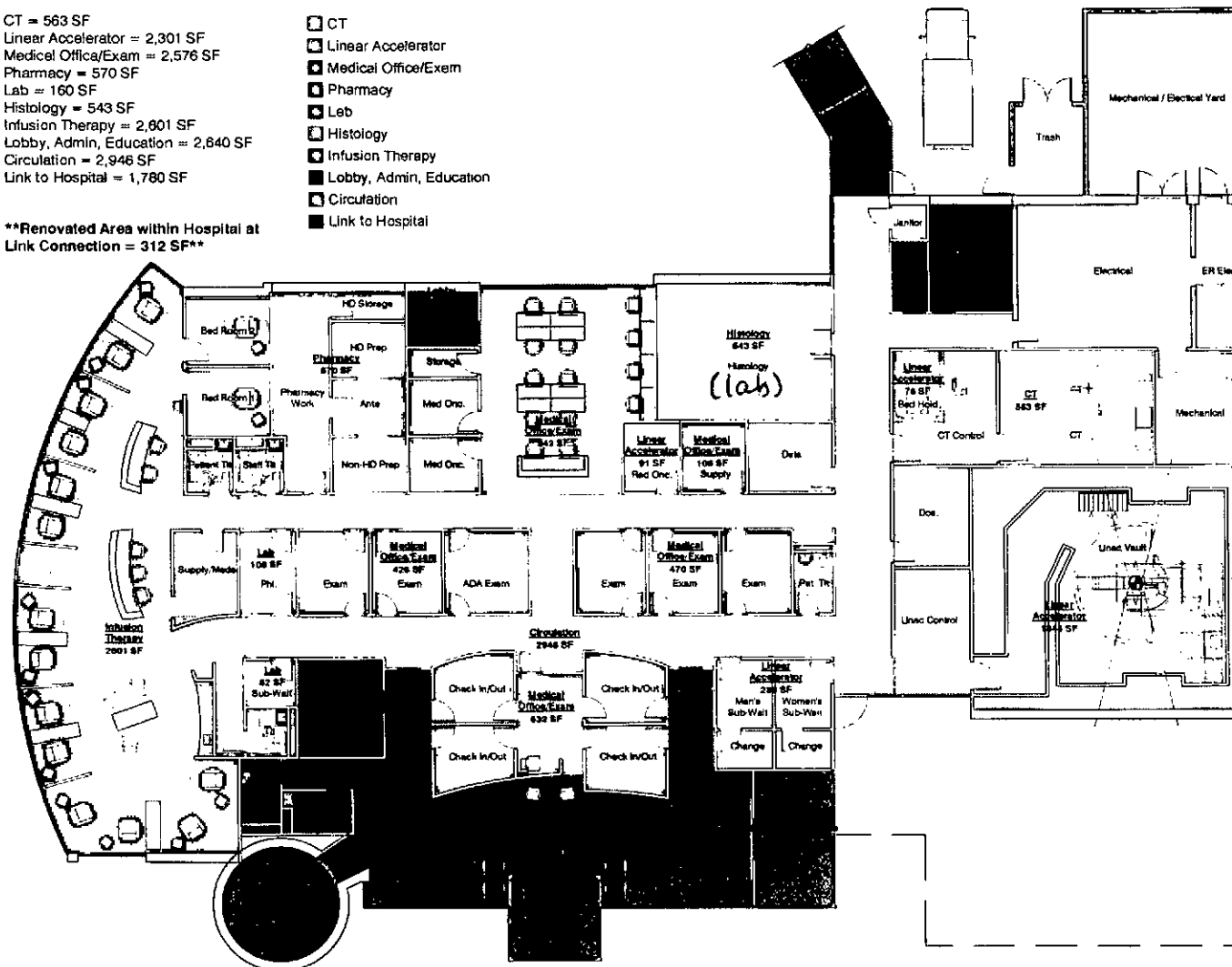
## SQ. FT. Totals

CT = 563 SF  
 Linear Accelerator = 2,301 SF  
 Medical Office/Exam = 2,576 SF  
 Pharmacy = 570 SF  
 Lab = 160 SF  
 Histology = 543 SF  
 Infusion Therapy = 2,601 SF  
 Lobby, Admin, Education = 2,640 SF  
 Circulation = 2,946 SF  
 Link to Hospital = 1,780 SF

**\*\*Renovated Area within Hospital at  
 Link Connection = 312 SF\*\***

## Rentable Area Legend

- ☐ CT
- ☐ Linear Accelerator
- ☐ Medical Office/Exam
- ☐ Pharmacy
- ☐ Lab
- ☐ Histology
- ☐ Infusion Therapy
- ☐ Lobby, Admin, Education
- ☐ Circulation
- ☐ Link to Hospital



OSF Saint Anthony's Health Center  
 17154  
 Cancer Center of Excellence

Departmental Area Plan

09/08/17



Sheet/Page No

A-4

refer to sheet

**Project Costs and Sources of Funds**

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation	3,650	3,650	7,300
Site Preparation	0	0	0
Off Site Work	0	0	0
New Construction Contracts	4,138,110	3,494,000	7,632,110
Modernization Contracts	0	0	0
Contingencies	325,804	325,804	651,608
Architectural/Engineering Fees	256,500	256,500	513,000
Consulting and Other Fees	160,000	160,000	320,000
Movable or Other Equipment (not in construction contracts)	3,650,000	610,000	4,260,000
Bond Issuance Expense (project related)	68,500	68,500	137,000
Net Interest Expense During Construction (project related)	315,000	315,000	630,000
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)	0	0	0
<b>TOTAL USES OF FUNDS</b>	<b>8,917,564</b>	<b>5,233,454</b>	<b>14,151,018</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)	8,917,564	5,233,454	14,151,018
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>8,917,564</b>	<b>5,233,454</b>	<b>14,151,018</b>
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

**Related Project Costs**

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
If yes, provide the dollar amount of all <b>non-capitalized</b> operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ <u>N/A</u>		

**Project Status and Completion Schedules**

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

- |   |  |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary   |
| <input checked="" type="checkbox"/> Schematics  | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): 06/30/2019

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

- ☐ Purchase orders, leases or contracts pertaining to the project have been executed.
- ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
- ☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**State Agency Submittals [Section 1130.620(c)]**

Are the following submittals up to date as applicable:

- ☒ Cancer Registry
  - ☒ APORS
  - ☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
  - ☒ All reports regarding outstanding permits
- Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

## Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either DGSF or BGSF must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>REVIEWABLE</b>							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
<b>NON REVIEWABLE</b>							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
<b>TOTAL</b>							
APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							



**Facility Bed Capacity and Utilization**

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available**. Include **observation days in the patient day totals for each bed service**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: OSF Saint Anthony's Health Center			CITY: Alton, IL		
REPORTING PERIOD DATES:                      From: 01/01/2016                      to: 12/31/2016					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	101	2116	8599	0	101
Obstetrics	20	318	701	0	20
Pediatrics	5	0	0	0	5
Intensive Care	19	382	1176	0	19
Comprehensive Physical Rehabilitation	28	165	2374		28
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care	30	280	5141	0	30
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	203	3261	17991	0	203

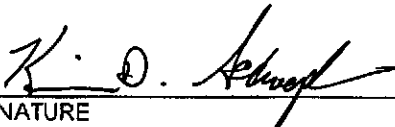
**NOTE:** OSF Saint Anthony's Health Center has received exemptions to discontinue the 5 pediatric, 30 general long term care and 28 rehabilitation beds referenced above, and these services have been discontinued.

**CERTIFICATION**

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:


- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of **OSF Healthcare System\*** in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

  
SIGNATURE

Kevin Schoepfle  
PRINTED NAME

Chief Executive Officer  
PRINTED TITLE


  
SIGNATURE

Ajay Pathak  
PRINTED NAME

President  
PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 29<sup>th</sup> day of September, 20 17

  
Signature of Notary


Seal

OFFICIAL SEAL  
TONDA L. STEWART  
Notary Public - State of Illinois  
My Commission Expires 8/26/2020

\*Insert the EXACT legal name of the applicant

Notarization:

Subscribed and sworn to before me  
this 28<sup>th</sup> day of September, 20 17

  
Signature of Notary

Seal

OFFICIAL SEAL  
TONDA L. STEWART  
Notary Public - State of Illinois  
My Commission Expires 8/26/2020

### SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

#### Background

READ THE REVIEW CRITERION and provide the following required information:

##### BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

#### Criterion 1110.230 – Purpose of the Project, and Alternatives

##### PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report. APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

**ALTERNATIVES**

- 1) Identify ALL of the alternatives to the proposed project:

Alternative options must include:

- A) Proposing a project of greater or lesser scope and cost;
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
  - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

**APPEND DOCUMENTATION AS ATTACHMENT 13 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE****Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

**SIZE OF PROJECT:**

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. This must be a narrative and it shall include the basis used for determining the space and the methodology applied.
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
  - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
  - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
  - c. The project involves the conversion of existing space that results in excess square footage.
  - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	SIZE OF PROJECT		DIFFERENCE	MET STANDARD?
		STATE STANDARD			

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**PROJECT SERVICES UTILIZATION:**

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110. Appendix B. A narrative of the rationale that supports the projections must be provided.

A table must be provided in the following format with Attachment 15.

DEPT./ SERVICE	UTILIZATION		STATE STANDARD	MEET STANDARD?
	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION		
YEAR 1				
YEAR 2				

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**UNFINISHED OR SHELL SPACE:**Provide the following information: **NOT APPLICABLE**

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
  - a. Requirements of governmental or certification agencies; or
  - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
  - a. Historical utilization for the area for the latest five-year period for which data is available; and
  - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

**APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM****ASSURANCES:**Submit the following: **N/A**

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

**APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM****APPEND DOCUMENTATION AS ATTACHMENT 23, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM**

**M. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service**

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
<input checked="" type="checkbox"/> Linear Accelerator*	1	1
<input checked="" type="checkbox"/> CT*	1	1
<input checked="" type="checkbox"/> Lab	1	1
<input checked="" type="checkbox"/> Pharmacy	1	1
<input checked="" type="checkbox"/> Infusion Therapy	14 tx bays	16 tx bays

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

Project Type	Required Review Criteria
New Services or Facility or Equipment	(c) – Need Determination – Establishment
Service Modernization	(d)(1) – Deteriorated Facilities
	AND/OR
	(d)(2) – Necessary Expansion
	PLUS
	(d)(3)(A) – Utilization – Major Medical Equipment
	OR
	(d)(3)(B) – Utilization – Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT 31</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

\*The only clinical service areas other than categories of service for which the Board has standards are the linear accelerator and CT equipment.

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

## VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
	1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
	2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
14,151,018	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5)	For any option to lease, a copy of the option, including all terms and conditions.



_____	e) Governmental Appropriations - a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f) Grants - a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources - verification of the amount and type of any other funds that will be used for the project.
<b>14,051,018</b>	<b>TOTAL FUNDS AVAILABLE</b>

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**SECTION VIII. 1120.130 - FINANCIAL VIABILITY N/A - WAIVER**

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

**Financial Viability Waiver**

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization		N	/	A
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

**Variance**

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36 IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**SECTION IX. 1120.140 - ECONOMIC FEASIBILITY**

This section is applicable to all projects subject to Part 1120.

**A. Reasonableness of Financing Arrangements**

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

**B. Conditions of Debt Financing**

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

N/A – Not inpatient department or category of service.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs – N/A – outpatient services project**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

**E. Total Effect of the Project on Capital Costs – N/A – outpatient services project**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

## SECTION X. SAFETY NET IMPACT STATEMENT – N/A

**SAFETY NET IMPACT STATEMENT** that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

**Safety Net Impact Statements shall also include all of the following:**

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information

regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 40.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

**SECTION XI. CHARITY CARE INFORMATION**

Charity Care Information **MUST** be furnished for **ALL** projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care **must** be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 41.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

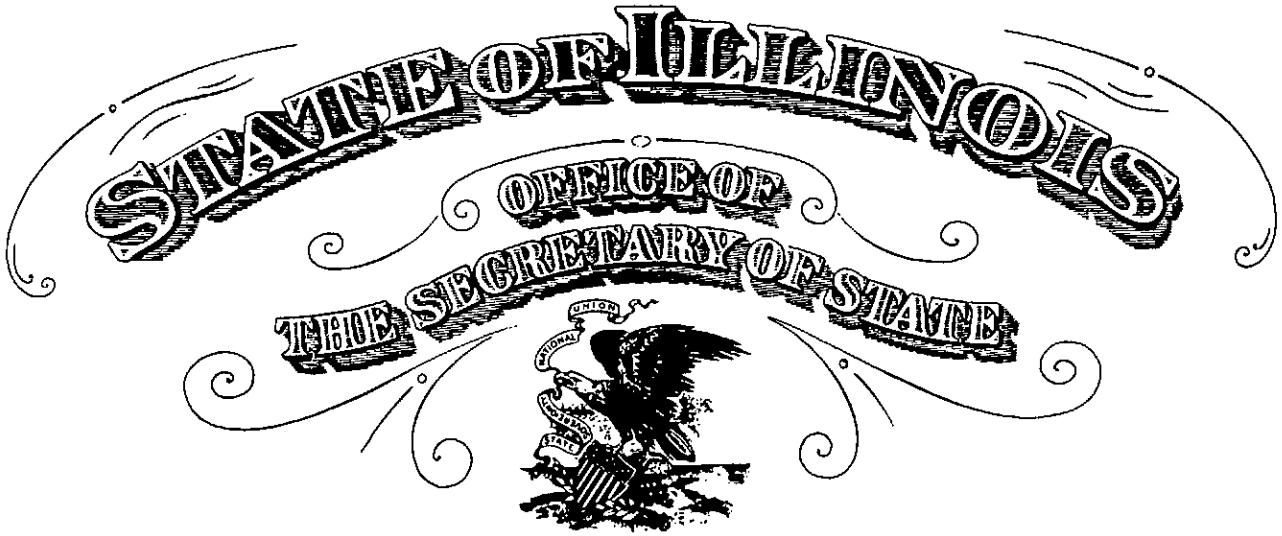
After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	23-24
2	Site Ownership	25-26
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	27-28
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	29
5	Flood Plain Requirements	30-31
6	Historic Preservation Act Requirements	32-40
7	Project and Sources of Funds Itemization	41-42
8	Financial Commitment Document if required	
9	Cost Space Requirements	43
10	Discontinuation	
11	Background of the Applicant	44-55
12	Purpose of the Project	56-65
13	Alternatives to the Project	66
14	Size of the Project	67
15	Project Service Utilization	68
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
18	Master Design Project	
	<b>Service Specific:</b>	
19	Medical Surgical Pediatrics, Obstetrics, ICU	
20	Comprehensive Physical Rehabilitation	
21	Acute Mental Illness	
22	Open Heart Surgery	
23	Cardiac Catheterization	
24	In-Center Hemodialysis	
25	Non-Hospital Based Ambulatory Surgery	
26	Selected Organ Transplantation	
27	Kidney Transplantation	
28	Subacute Care Hospital Model	
29	Community-Based Residential Rehabilitation Center	
30	Long Term Acute Care Hospital	
31	Clinical Service Areas Other than Categories of Service	69
32	Freestanding Emergency Center Medical Services	
33	Birth Center	
	<b>Financial and Economic Feasibility:</b>	
34	Availability of Funds	
35	Financial Waiver	
36	Financial Viability	70
37	Economic Feasibility	71-80
38	Safety Net Impact Statement	
39	Charity Care Information	81

## Certificate of Good Standing

See attached for applicant OSF Healthcare System.





***To all to whom these Presents Shall Come, Greeting:***

***I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that***

OSF HEALTHCARE SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 02, 1880, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set  
my hand and cause to be affixed the Great Seal of  
the State of Illinois, this 4TH  
day of OCTOBER A.D. 2017 .***

*Jesse White*


SECRETARY OF STATE

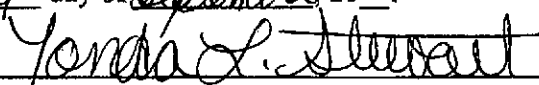
## Proof of Site Ownership

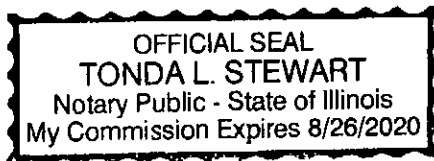
See attached.

Attachment 2

I, Kevin Schoeplein, do hereby attest the site of the OSF Saint Anthony's Health Center, which is located at One Saint Anthony Way in Alton, Illinois is owned by OSF Healthcare System.

  
Kevin Schoeplein  
CEO  
OSF Healthcare System

Subscribed and sworn to before me this  
29<sup>th</sup> day of September, 2017  
  
Notary Public



Attachment 2

**Operating Entity  
Certificate of Good Standing**

See attached.

OSF Saint Anthony's Health Center is not separately incorporated, and as a result the only relevant good standing certificate is that of OSF Healthcare System.

**Attachment 3**



***To all to whom these Presents Shall Come, Greeting:***

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

OSF HEALTHCARE SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 02, 1880, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set  
my hand and cause to be affixed the Great Seal of  
the State of Illinois, this 19TH  
day of OCTOBER A.D. 2016 .***

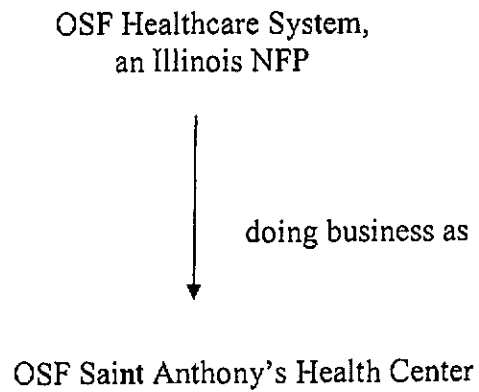
*Jesse White*

SECRETARY OF STATE

Authentication #: 1629302252 verifiable until 10/19/2017

Authenticate at: <http://www.cyberdriveillinois.com>

**Organization Chart  
(for CON purpose)**



**Attachment 4**

# McDermott Will & Emery

Boston Brussels Chicago Düsseldorf Frankfurt Houston London Los Angeles Miami  
Milan Munich New York Orange County Paris Rome Seoul Silicon Valley Washington, D.C.  
Strategic alliance with MWE China Law Offices (Shanghai)

Clare E. Connor  
Attorney at Law  
cconnor@mwe.com  
+1 312 984 3365

August 29, 2017

VIA OVERNIGHT MAIL

Rachel Leibowitz, Ph.D., Deputy State Historic Preservation Office  
Illinois Historic Preservation Agency  
1 Old State Capitol Plaza  
Springfield, Illinois 62701-1512

**Re: Illinois Certificate of Need ("CON") Clearance Letter Request**

Dear Dr. Leibowitz:

We represent OSF Healthcare System (the "Applicant") in pursuing a CON from the Health Facilities & Services Review Board to construct a cancer treatment center in Alton, Illinois on the current hospital's campus. The new cancer treatment center will be attached to OSF Saint Anthony's Health Center located at 1 Saint Anthony Way via a walkway at the ground level. The Illinois State Agency Historic Resources Preservation Act, 20 ILCS 34201/1 et seq. (the "Act"), provides that written notice of a proposed undertaking shall be given to the Director of the Illinois Historic Preservation Agency ("HPA") either by a State agency or a recipient of its funds, licenses or permits when the proposed undertaking might affect historic, architectural or archaeological resources. In addition, the CON application process requires a letter from HPA regarding any construction project's impact on possible architecturally significant or historical structure.

Enclosed is the information necessary for the HPA to conduct a review of the Project to determine whether any historic, architectural or archaeological sites might be impacted by the Project. Specifically, we provide the following information to you for review:

1. General project description and address: The project will include an approximate 20,000 GSF building which will house medical exam space and radiology and ancillary cancer care services.
2. Topographic or metropolitan map showing the general location of the project: See attached.
3. Photographs of any standing buildings/structure within the project area: See enclosed.
4. Address for building/structures, if present: 1 Saint Anthony Way, Alton, IL.

Upon review of the information provided in this letter, kindly forward confirmation to my attention indicating whether, in the HPA's opinion, the Project will have any impact on a historical or architecturally significant building or structures.

US practice conducted through McDermott Will & Emery LLP.

**Attachment 6**

To our knowledge, there are no historical buildings in the area. Further, there are no state-designed historical sites in the vicinity of the proposed medical office building.

Thank you for your consideration. If you have questions, please contact me at (312) 984-3365.

Sincerely,

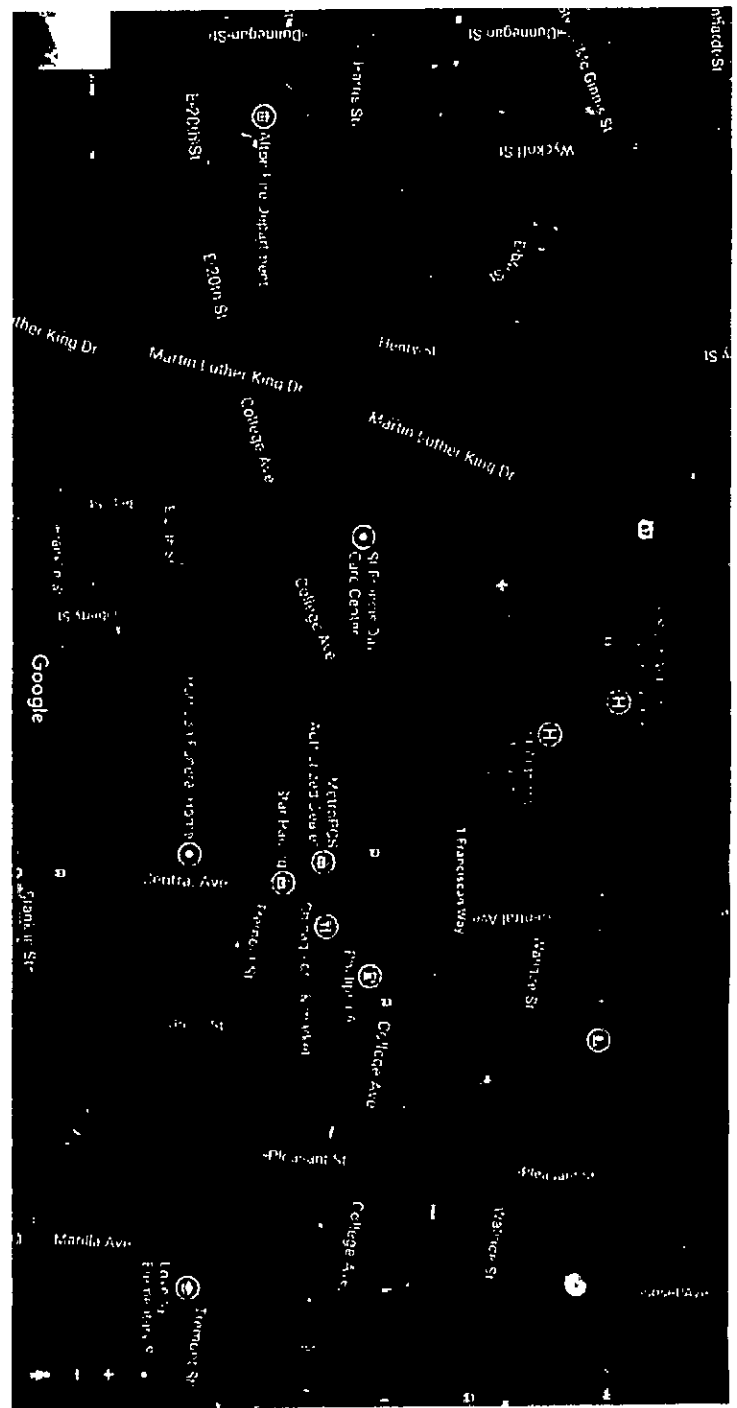
McDermott Will & Emery

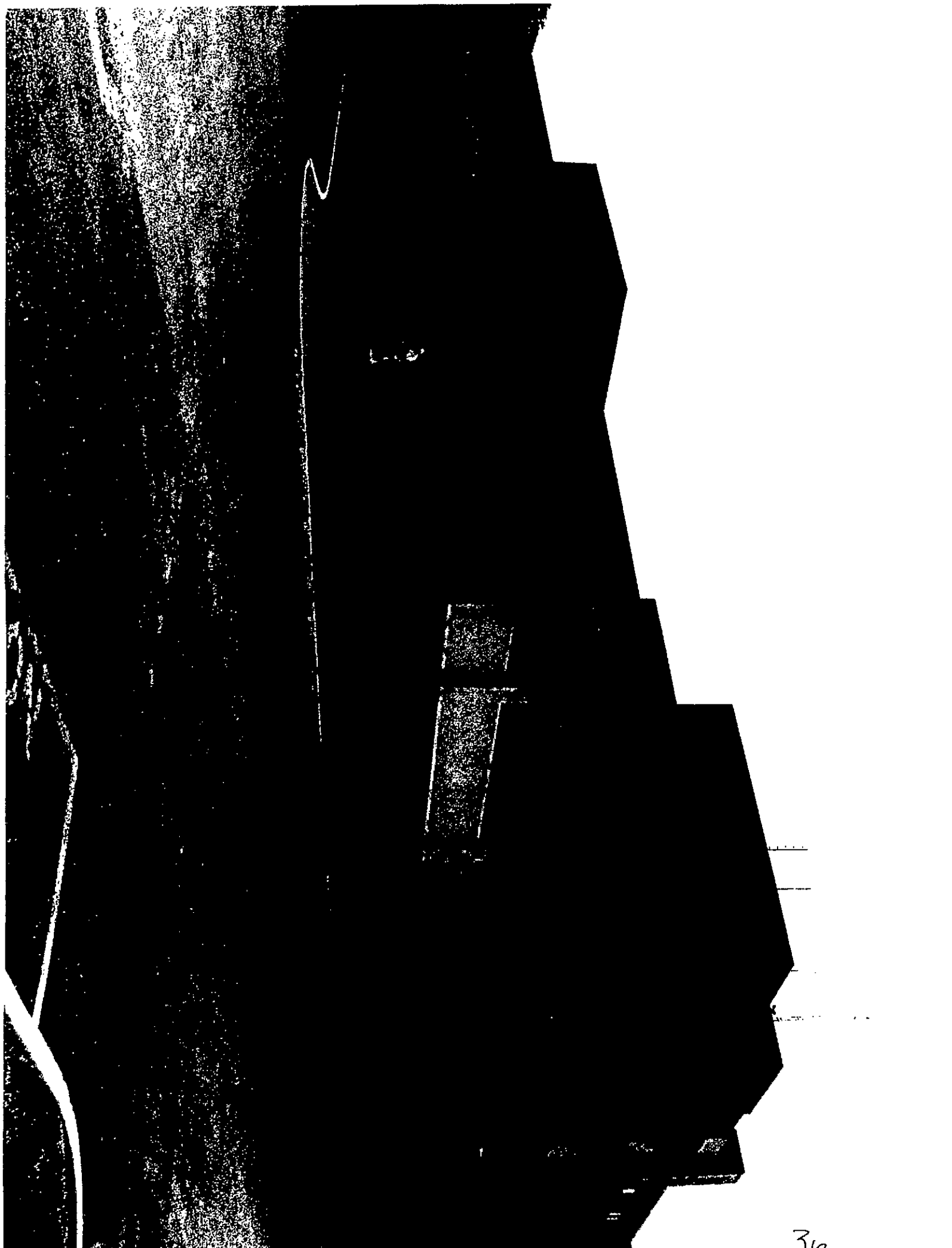
  
Clare E. Connor

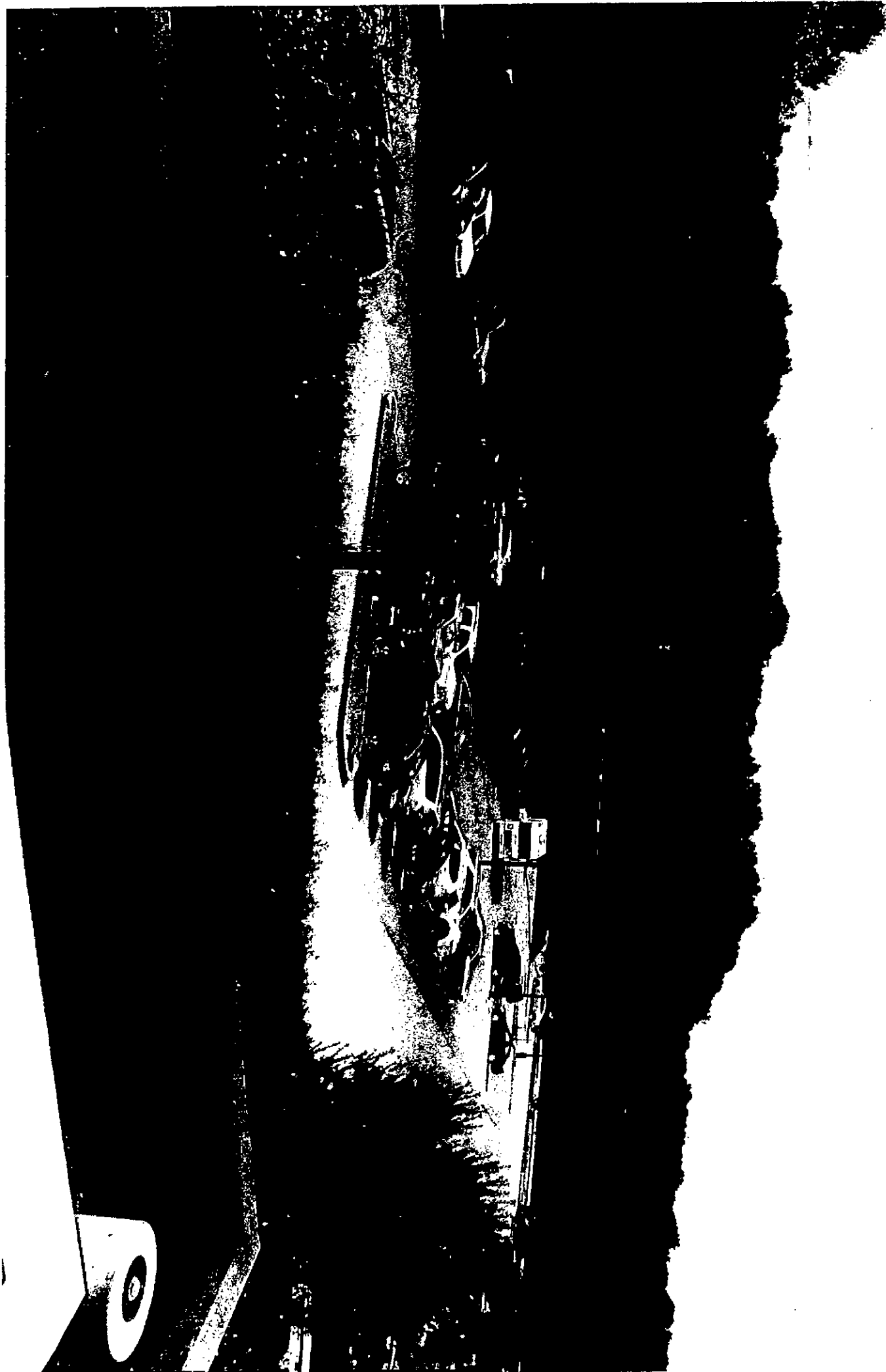
Enclosures

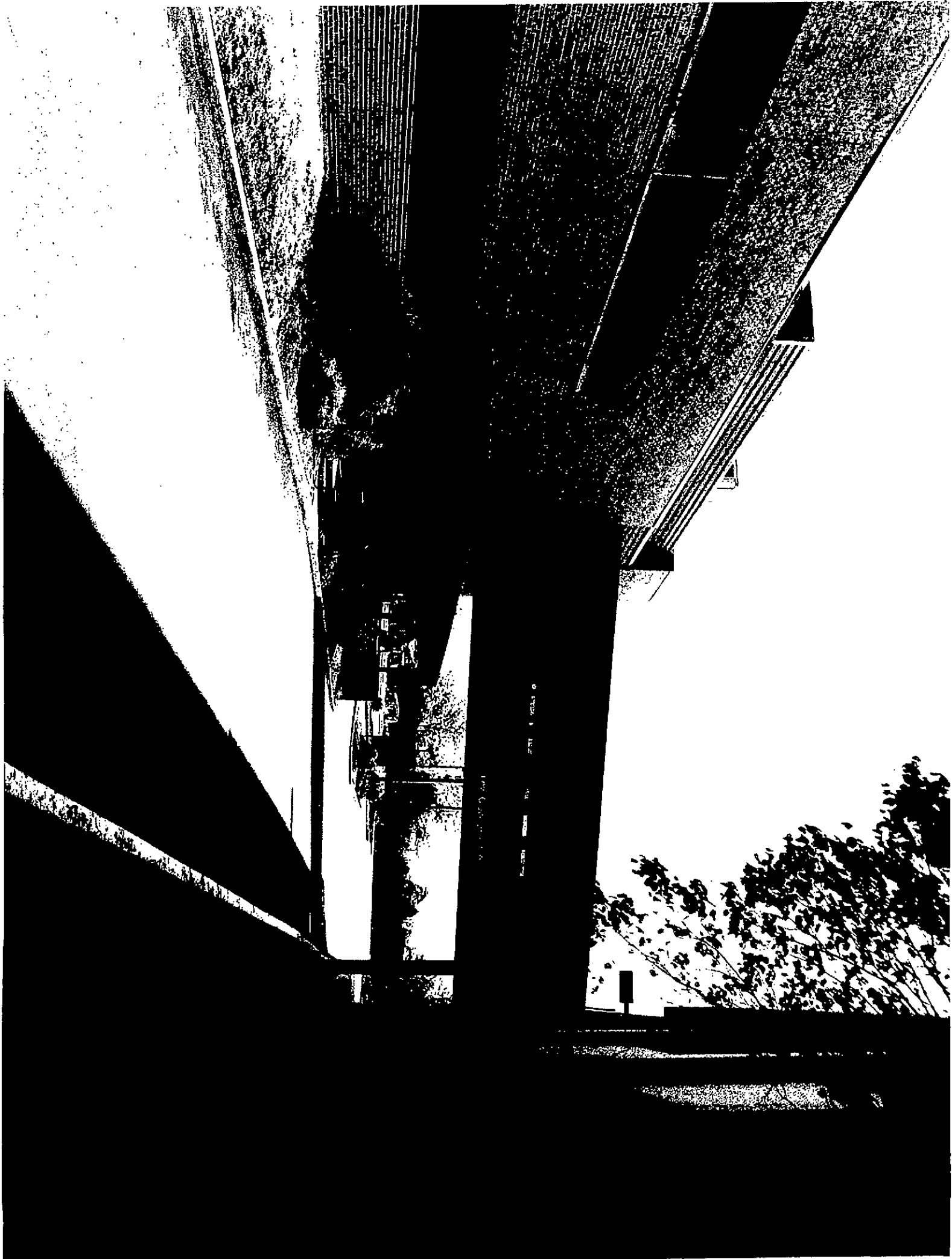
Attachment 6



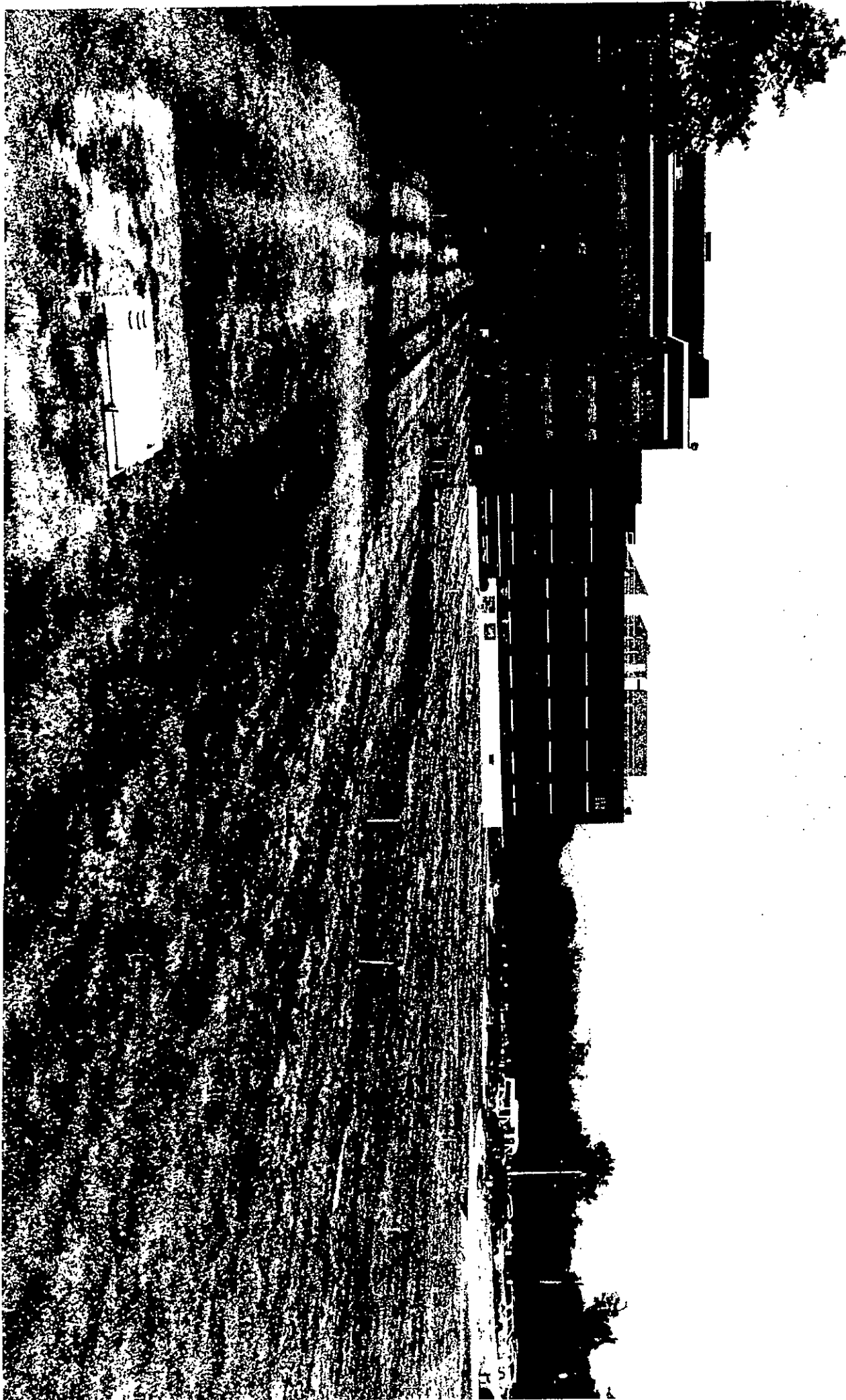












## Itemization of Project Costs

See attached.

### Itemization of Costs

Site Survey/Soil:	\$3,500 survey \$3,800 soil testing
A&E:	\$460,000.00 design \$9,000.00 IDPH Plan Review \$44,000.00 Commissioning Services
Construction:	\$7,632,110.00 of which all but \$597,000 is for new building \$597,000 is for link to hospital
Contingencies:	\$651,608.00
Equipment:	\$3,650,000.00 CT, Lin ACC/other Medical \$400,000.00 Furnishings \$210,000.00 – IT/phones
Consultants:	\$170,000.00 Financial \$100,000.00 CON \$50,000.00 Management
Bond Issue:	\$137,000
Interest:	\$630,000 (during construction)



### Cost Space Requirements

Dept/Area	Cost	GSF		Amount of Proposed total GSF that is:			
		Exist	Prop.	New Cust.	Mod	As Is	Vacated
CT	\$1,372,469.95		563	563	0	0	
Linear Accelerator	\$5,242,886.05		2,301	2,301	0	0	
Medical Office/Exam	\$1,559,709.24		2,576	2,576	0	0	
Pharmacy	\$371,723.90		570	270	0	0	0
Lab	\$463,865.54		703	703	0	0	0
Infusion Therapy	\$1,466,618.56		2,601	2,601	0	0	
Lobby, Administrative, Chapel/Education	\$1,313,709.38		2,640	2,640	0	0	0
Circulation, Support*	\$360,035.77		5,038	5,038	0	0	0
TOTAL PROJECT	\$14,151,018		16,992	16,992	0	0	

\*Includes link to hospital


## Background

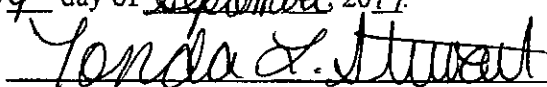
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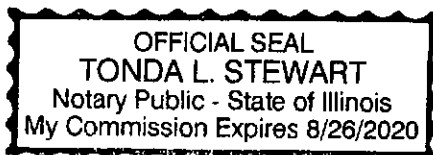
Attached are copies of the licenses/certifications for other hospitals owned by the applicant OSF Healthcare System.

No adverse action, as defined by Illinois Health Facilities and Services Review Board rules, has been taken against the facilities over the past three (3) years.

HFSRB and IDPH are authorized to access documents necessary to verify information submitted, including official, licensing or certification records of Illinois or other states or records of certification agencies.

  
\_\_\_\_\_  
Kevin Schoepfle, CEO  
OSF Healthcare System

Subscribed and sworn to before me this  
29<sup>th</sup> day of September, 2017.  
  
\_\_\_\_\_  
Notary Public



Attachment 11

## **OSF Healthcare System List of Facilities in Illinois**

**OSF HealthCare Holy Family Medical Center**  
1000 W. Harlem Avenue  
Monmouth, Illinois 61462

**OSF HealthCare Saint Francis Medical Center**  
530 NE Glen Oak Avenue  
Peoria, IL 61637

**OSF HealthCare Saint Anthony's Health Center**  
One Saint Anthony's Way  
Alton, Illinois 62002-0340

**OSF HealthCare Saint James - John W. Albrecht Medical Center**  
2500 W. Reynolds Street  
Pontiac, Illinois 61764

**OSF HealthCare St. Joseph Medical Center**  
2200 E. Washington Street  
Bloomington, Illinois 61701

**OSF HealthCare Saint Anthony Medical Center**  
5666 E. State Street  
Rockford, IL 61108-2472

**OSF HealthCare Saint Luke Medical Center**  
1051 West South Street  
Kewanee, IL 61443

**OSF HealthCare Saint Elizabeth Medical Center**  
1100 E. Norris Drive  
Ottawa, Illinois 61350

**OSF HealthCare St. Mary Medical Center**  
3333 N. Seminary Street  
Galesburg, Illinois 61401

**OSF HealthCare Saint Paul Medical Center**  
1401 E. 12th Street  
Mendota, Illinois 61342



**Illinois Department of  
PUBLIC HEALTH**

HF112030

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/2017		0002535
<b>General Hospital</b>		
Effective: 01/01/2017		

St. Joseph Medical Center  
2200 East Washington Street  
Bloomington, IL 61701

This face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10/13/12

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

Exp. Date 12/31/2017

Lic Number 0002535

Date Printed 10/26/2016

St. Joseph Medical Center

2200 East Washington Street  
Bloomington, IL 61701

FEE RECEIPT NO.



**Illinois Department of  
PUBLIC HEALTH**

HF111995

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
**Director**

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
12/6/2017		0005819
<b>Critical Access Hospital</b>		
Effective: 12/07/2016		

Mendota Community Hospital  
dba OSF Saint Paul Medical Center  
1401 East 12th Street

Mendota, IL 61342

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

Exp. Date 12/6/2017

Lic Number 0005819

Date Printed 10/26/2016

Mendota Community Hospital  
dba OSF Saint Paul Medical Center  
1401 East 12th Street  
Mendota, IL 61342

FEE RECEIPT NO.



**Illinois Department of  
PUBLIC HEALTH**

HF112770

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D., J.D.  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
4/11/2018		0005439
Critical Access Hospital		
Effective: 04/12/2017		

OSF Holy Family Medical Center  
1000 West Harlem Avenue  
Monmouth, IL 61462

The face of this license has a colored background. Printed by Authority of the State of Illinois • PO. #46240 5M 5/16



**Illinois Department of  
PUBLIC HEALTH**

HF 112033

**LICENSE PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	L.D. NUMBER
12/31/2017		0002675
<b>General Hospital</b>		
Effective: 01/01/2017		

St. Mary Medical Center  
3333 North Seminary Street  
Galesburg, IL 61401

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320-10M 3/12

← **DISPLAY THIS PART IN A  
CONSPICUOUS PLACE**

Exp. Date 12/31/2017

Lic Number 0002675

Date Printed 10/26/2016

St. Mary Medical Center

3333 North Seminary Street  
Galesburg, IL 61401

**FEE RECEIPT NO.**



**Illinois Department of  
PUBLIC HEALTH**

HF111629

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE <b>10/31/2017</b>	CATEGORY	ID NUMBER <b>0005942</b>
<b>General Hospital</b>		
<b>Effective: 11/01/2016</b>		

OSF Saint Anthony's Health Center  
1 Saint Anthony's Way  
2nd campus at 915 East 5th street  
Alton, IL 62002

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

Exp. Date 10/31/2017

Lic Number 0005942

Date Printed 8/29/2016

OSF Saint Anthony's Health Center  
1 Saint Anthony's Way  
2nd campus at 915 East 5th street  
Alton, IL 62002

FEE RECEIPT NO.





**Illinois Department of  
PUBLIC HEALTH**

HF113298

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
**Director**

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
05/14/2018		0005520
<b>General Hospital</b>		
<b>Effective: 05/15/2017</b>		

**Ottawa Regional Hospital & Healthcare Center**  
**dba OSF Saint Elizabeth Medical Center**  
**1100 E. Norris Drive**

**Ottawa, IL 61350**

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← **DISPLAY THIS PART IN A  
CONSPICUOUS PLACE**

**Exp. Date 05/14/2018**

**Lic Number 0005520**

**Date Printed 04/21/2017**

**Ottawa Regional Hospital & Healthcare**  
**dba OSF Saint Elizabeth Medical Cent**  
**1100 E. Norris Drive**  
**Ottawa, IL 61350**

**FEE RECEIPT NO.**



**Illinois Department of  
PUBLIC HEALTH**

HF112025

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
**Director**

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	LIC. NUMBER
12/31/2017		0002253
<b>General Hospital</b>		
<b>Effective: 01/01/2017</b>		

**Saint Anthony Medical Center**  
**5666 East State Street**  
**Rockford, IL 61108**

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Exp. Date 12/31/2017

Lic Number 0002253

Date Printed 10/26/2016

Saint Anthony Medical Center

5666 East State Street  
Rockford, IL 61108

FEE RECEIPT NO.



**Illinois Department of  
PUBLIC HEALTH**

HF112029

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**Nirav D. Shah, M.D., J.D.**  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/2017		0002394
<b>General Hospital</b>		
Effective: 01/01/2017		

Saint Francis Medical Center  
530 North East Glen Oak Avenue  
Peoria, IL 61637

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**Illinois Department of  
PUBLIC HEALTH**

HF112625

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Nirav D. Shah, M.D., J.D.  
Director

Issued under the authority of  
the Illinois Department of  
Public Health

3/2/2018	CATEGORY	0005264
General Hospital		
Effective: 03/03/2017		

Saint James Hospital  
2500 West Reynolds Street  
Pontiac, IL 61764

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Exp. Date 3/2/2018

Lic Number 0005264

Date Printed 1/25/2017

Saint James Hospital

2500 West Reynolds Street  
Pontiac, IL 61764

FEE RECEIPT NO.

### **Purpose (1110.230)**

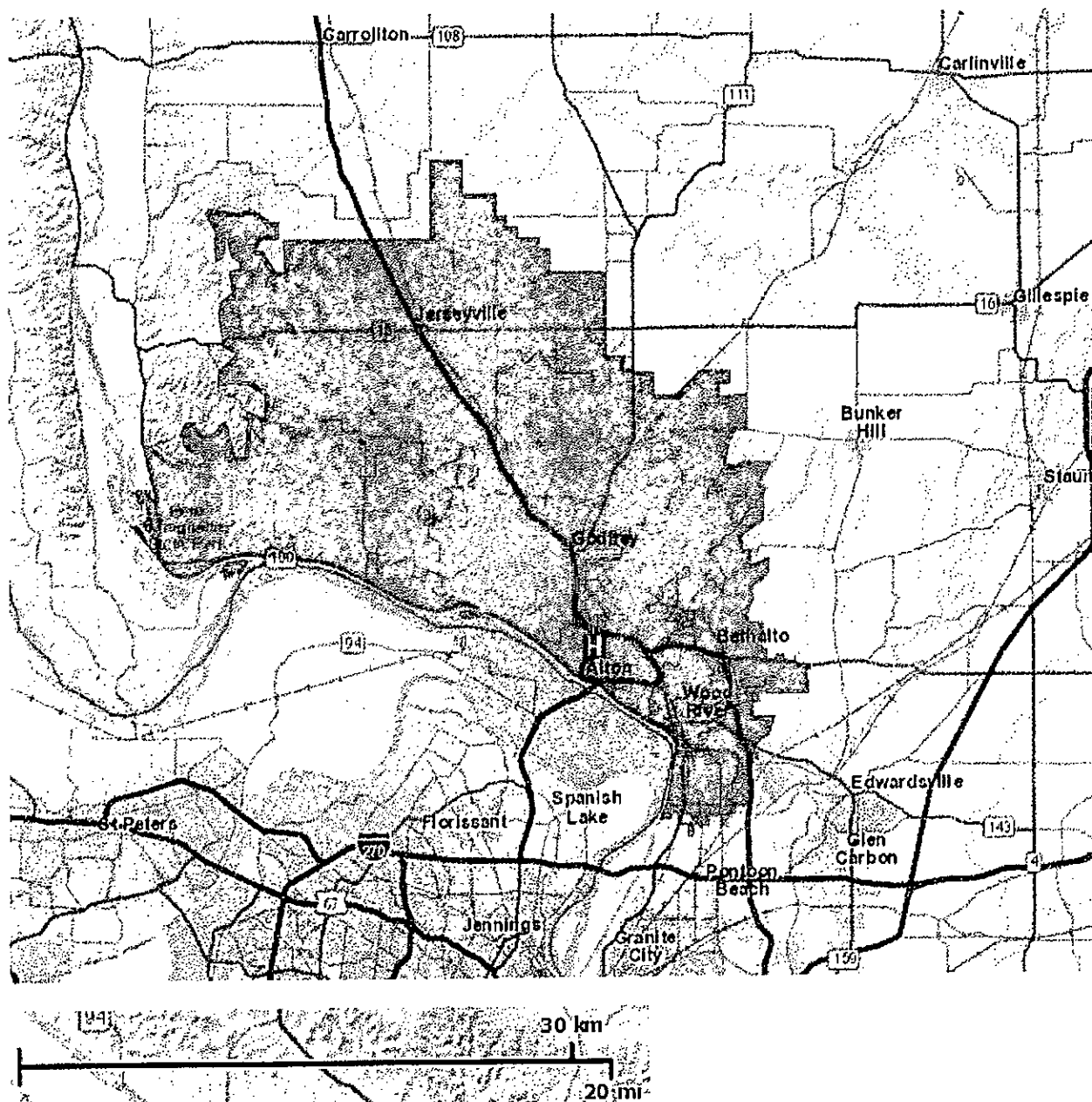
- 1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.*

Currently, cancer treatment services are scattered throughout the Hospital, and some are off site from the main hospital campus. This project proposes consolidating them into one building for better access and efficiency. The proposed building will be connected at the ground level to the main campus Hospital building. The space in the new building will allow for updated equipment and expansion of the infusion therapy treatment area. There will be a dedicated lab and pharmacy in the CTC to serve oncology patients more readily and quickly. There will also be education and classroom space for use in comprehensive cancer care services. The comprehensive treatment center will provide better access to quality cancer care in a more efficient setting for both providers and patients. Locating all of the cancer treatment services in one area on the Hospital's campus will facilitate coordination of care which should improve outcomes and lower health care costs.

## **Purpose**

2. *Define the planning area or market area, or other, per the applicant's definition.*

The market area is that of the existing hospital, including the greater Alton and surrounding areas. Attached is a list of primary zip codes served by SAHC, and a map of the service area.



OSF Saint Anthony Health Center - Alton  
Hospital Outpatient Utilization by Zip code  
12 Months ending June 2017

Patient City	Patient Zip Code	Distinct Patient Count	Cases
ALTON	62002	5,366	17,656
GODFREY	62035	2,762	8,313
EAST ALTON	62024	1,540	4,961
WOOD RIVER	62095	1,571	4,930
BETHALTO	62010	1,249	3,644
BRIGHTON	62012	958	2,801
JERSEYVILLE	62052	818	2,486
COTTAGE HILLS	62018	588	1,999
BUNKER HILL	62014	345	1,102
GRANITE CITY	62040	367	1,085
EDWARDSVILLE	62025	355	879
SOUTH ROXANA	62087	254	833
GRAFTON	62037	215	724
MORO	62067	239	617
ROXANA	62084	220	607
HARTFORD	62048	186	604
DOW	62022	142	428
SHIPMAN	62685	129	407
MEDORA	62063	96	296
CARROLLTON	62016	86	295
HARDIN	62047	65	270
ELSAH	62028	96	267
DORSEY	62021	79	243
FIELDON	62031	71	207
WORDEN	62097	89	200
KANE	62054	46	199
GLEN CARBON	62034	75	182
COLLINSVILLE	62234	86	166
GOLDEN EAGLE	62036	39	143
STAUNTON	62088	54	143
BRUSSELS	62013	30	125
EAST SAINT LOUIS	62206	13	107
WEST ALTON	63386	20	102
BATCHTOWN	62006	33	95
GILLESPIE	62033	36	78
PIASA	62079	37	76
TROY	62294	39	75
GREENFIELD	62044	35	58
MARYVILLE	62062	28	55
HAMEL	62046	14	53
MOUNT OLIVE	62069	17	51
ROCKBRIDGE	62081	22	51
KAMPSVILLE	62053	19	48
MICHAEL	62065	13	45



NEW DOUGLAS	62074	7	45
FLORISSANT	63034	14	44
GREENVILLE	62246	19	42
ROODHOUSE	62082	16	41
BENLD	62009	20	38
MADISON	62060	18	38
WHITE HALL	62092	22	38
FLORISSANT	63033	14	33
CARLINVILLE	62626	20	32
CASEYVILLE	62232	20	31
DUPO	62239	4	30
ELDRED	62027	14	29
LIVINGSTON	62058	13	29
MARINE	62061	4	29
LITCHFIELD	62056	15	28
CHESTERFIELD	62630	9	27
VENICE	62090	6	27
HAMBURG	62045	16	26
ALHAMBRA	62001	12	24
HILLSBORO	63050	5	24
SAINT LOUIS	63121	5	24
O FALLON	62269	10	22
PORTAGE DES SIOUX	63373	2	22
HIGHLAND	62249	12	19
SAINT LOUIS	63131	3	19
FLORISSANT	63031	10	18
HAZELWOOD	63042	3	17
SAINT CHARLES	63301	9	17
WALSHVILLE	62091	1	17
CARTERVILLE	62918	4	15
GIRARD	62640	2	15
BELLEVILLE	62221	8	14
BELLEVILLE	62223	10	14
EAST SAINT LOUIS	62203	3	14
SAINT LOUIS	63104	2	14
WATERLOO	62298	5	14
BELLEVILLE	62220	11	13
EKWOK	99580	12	13
FAIRVIEW HEIGHTS	62208	8	13
GLENCOE	63038	2	13
WILSONVILLE	62093	6	13
SAINT LOUIS	63136	5	12
BELLEVILLE	62226	7	11
CHATHAM	62629	1	11
SAINT LOUIS	63146	8	11
SAINT LOUIS	63138	7	10
HARRISBURG	62946	1	9
HETTICK	62649	6	9
MASCOUTAH	62258	4	9
FIDELITY	62030	7	8
POCAHONTAS	62275	5	8
SORENTO	62086	3	8

EAST SAINT LOUIS	62205	5	7
SAINT LOUIS	63116	1	7
EAST SAINT LOUIS	62207	2	6
FLORISSANT	63032	3	6
FORT MYERS	33907	1	6
GREENVILLE	63944	2	6
IRVING	62051	2	6
SAINT ANN	63074	1	6
SAINT PETERS	63376	4	6
CARLYLE	62231	4	5
HILLSBORO	62049	3	5
HILLVIEW	62050	4	5
SAINT LOUIS	63110	3	5
AVISTON	62216	1	4
BRIDGETON	63044	2	4
EAST PEORIA	61611	2	4
EAST SAINT LOUIS	62201	4	4
FREEBURG	62243	3	4
PEORIA	61615	3	4
SAINT LOUIS	63113	1	4
SAINT LOUIS	63114	2	4
SAINT LOUIS	63123	2	4
SAINT LOUIS	63135	3	4
SAINT LOUIS	63139	3	4
BALLWIN	63011	2	3
BREESE	62230	1	3
BUTLER	62015	1	3
CANTON	61520	2	3
CHESTERFIELD	63017	2	3
MURRAYVILLE	62668	2	3
OSAGE BEACH	65065	2	3
PLEASANT HILL	62366	2	3
ROCK ISLAND	61201	1	3
SAINT CHARLES	63304	2	3
SAINT JACOB	62281	2	3
SAINT LOUIS	63112	1	3
SAINT LOUIS	63137	3	3
SAINT LOUIS	63141	3	3
SALEM	62881	1	3
SAWYERVILLE	62085	2	3
SEDALIA	65301	1	3
SPRINGFIELD	62704	2	3
BENTON	72019	1	2
COULTERVILLE	62237	2	2
FILLMORE	62032	2	2
FREEPORT	61032	1	2
HIGH RIDGE	63049	1	2
LENZBURG	62255	1	2
LILBURN	30047	1	2
LOUISIANA	63353	1	2
MADISON	53703	1	2
MARION	62959	1	2

MISSION	78572	1	2
MODESTO	62667	1	2
MULBERRY GROVE	62262	2	2
NEBO	62355	1	2
NEW ATHENS	62264	1	2
O FALLON	63368	1	2
QUINCY	62305	2	2
RICHMOND	40475	1	2
SAINT CHARLES	63303	1	2
SAINT ELMO	62458	1	2
SAINT LOUIS	63105	2	2
SAINT LOUIS	63117	1	2
SAINT LOUIS	63118	1	2
SAINT LOUIS	63119	2	2
SAINT PETER	62880	1	2
SHOBONIER	62885	1	2
TIPTON	65081	1	2
VANDALIA	62471	2	2
WAVERLY	62692	2	2
WRIGHTS	62098	2	2
BAYLIS	62314	1	1
BELGRADE	63622	1	1
BELLEVIEW	63623	1	1
BELLEVILLE	62222	1	1
BLOOMINGTON	61704	1	1
CEDAR HILL	63016	1	1
COLLIERS	26035	1	1
COLORADO SPRINGS	80910	1	1
COMPTON	61318	1	1
CRYSTAL CITY	63019	1	1
DONNELLSON	62019	1	1
DWIGHT	60420	1	1
EAST SAINT LOUIS	62204	1	1
EDWARDSVILLE	62026	1	1
ELGIN	60124	1	1
ELIZABETHTOWN	62931	1	1
FAIRFIELD	62837	1	1
FARMINGTON	63640	1	1
FULTON	65251	1	1
GRINNELL	50112	1	1
HARVARD	60033	1	1
ILLINOIS CITY	61259	1	1
JOHNSTON CITY	62951	1	1
KEYESPORT	62253	1	1
KINCAID	62540	1	1
LAKE OZARK	65049	1	1
LANCASTER	93534	1	1
LE ROY	61752	1	1
LIBERTYVILLE	60048	1	1
LOVES PARK	61111	1	1
MADISON	57042	1	1
MAPLETON	61547	1	1

MARICOPA	85138	1	1
METAMORA	61548	1	1
MILLSTADT	62260	1	1
MORTON	61550	1	1
MOWEAQUA	62550	1	1
NORMAL	61761	1	1
O FALLON	63366	1	1
OREGON	61061	1	1
OZARK	65721	1	1
PAWNEE	62558	1	1
PEKIN	61554	1	1
PEORIA	61602	1	1
PEORIA	61603	1	1
PETERSBURG	62675	1	1
PIEDMONT	63957	1	1
PINCKNEYVILLE	62274	1	1
PITTSFIELD	62363	1	1
PONTIAC	61764	1	1
POPLAR GROVE	61065	1	1
POSEN	60469	1	1
RED BUD	62278	1	1
RIPLEY	38063	1	1
ROCHESTER	14623	1	1
SAINT CLAIR	63077	1	1
SAINT LOUIS	63103	1	1
SAINT LOUIS	63108	1	1
SAINT LOUIS	63115	1	1
SAINT LOUIS	63125	1	1
SAINT LOUIS	63126	1	1
SAINT LOUIS	63129	1	1
SAINT LOUIS	63132	1	1
SAINT LOUIS	63134	1	1
SANDOVAL	62882	1	1
SATANTA	67870	1	1
SAUNEMIN	61769	1	1
SCOTT AIR FORCE BASE	62225	1	1
SHERIDAN	60551	1	1
SPRINGFIELD	62703	1	1
STEUBENVILLE	43952	1	1
SUMMERFIELD	62289	1	1
TARPON SPRINGS	34689	1	1
TONEY	35773	1	1
TROY	63379	1	1
TRUMANN	72472	1	1
TULSA	74107	1	1
WINCHESTER	62694	1	1
WOODLAWN	62898	1	1
WRIGHT CITY	63390	1	1
Total Alton Outpatient		18,803	59,121

## Purpose

3. *Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]*

See #1. Generally, the issues to be addressed relate to the desire to consolidate cancer treatment services in a new, modern building located on the Hospital's campus. This will address access, efficiency and coordination of care issues with the existing situation. It will also address the problem of outdated equipment and lack of space to expend infusion therapy services.

4. *Cite the sources of the information provided as documentation.*

The hospital's data and statistics: U.S. Census Bureau Statistics. IDPH population projections.

## Purpose

5. *Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.*

The project will enhance patient care by making accessing cancer treatment services easier, as they will be in one location and on the Hospital's campus. It will improve access to and coordination of care for cancer patients and care providers.

6. *Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.*

A goal is to provide for user friendly and easily accessible cancer care services. An ancillary goal is to provide for updated, state of the art cancer treatment equipment. The time frame for achieving the goal(s) is 06/30/2019, the completion date for the project.

## **Alternatives**

### **Option 1:**

The only alternative considered, other than doing nothing, was constructing the building and consolidating services without updating equipment. While this alternative would cost approximately \$3.8M less, it was rejected. The current equipment (CT, Linear Accelerator and infusion chairs) is nearing the end of its useful life and requires replacement.

### **Option 2:**

Another option considered was leaving cancer treatment services at the St. Clare's campus. This was rejected because the services would be isolated from Saint Anthony's and remain fragmented. The cost of this alternative was not specifically priced out, but was determined to be significantly less than the current alternative, unless a new building was constructed on the St. Clare's campus then the cost would be similar.

A joint venture would not be appropriate for this modernization project and was not considered.

Utilizing other health care providers is not an alternative, as it would do nothing to alleviate the problem of fragmented care in the current situation.

### Size of Project

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE (actual size)	MET STANDARD?
<b>Clinical</b>				
Linear Accelerator	2,301	2,400 DGSF	>99	Yes
CT	563	1,800 DGSF	>1,237	Yes
Infusion Therapy	2,601	None	No Standard	N/A
Lab	703	None	No Standard	N/A
Pharmacy	570	None	No Standard	N/A
<b>Non Clinical</b> (Physician Offices and Support Space*)	10,524	None	No Standard	N/A

\*Administration, Lobby, Education and Family rooms, Chapel and Circulation



# PROJECT SERVICES UTILIZATION

UTILIZATION				
DEPARTMENT	HISTORICAL UTILIZATION CY16	PROJECTED UTILIZATION CY21	STATE STANDARD	MET STANDARD?
CT (one)	141	272	7,000 visits	Yes
Linear Accelerator (one)	2,956	4,003	7,500 treatments	Yes

Projected volume is based on increased cancer incident based on population aging, the efficiencies of providing care in one location and increase use of CT biopsy at the CTC.

The only areas that are reviewable are cancer treatment areas housing a linear accelerator and CT machine. The equipment (one each) is currently at the end of its respective useful life and needs to be replaced. Even if this project is not done, the equipment would be replaced under the capital expenditure threshold. However, the ideal time to do so is in coordination with the construction cancer treatment center.

The historical volume of 2,956 procedures for the linear accelerator and 141 visits for the CT machine justify one piece of equipment each for the care of cancer patients. The Hospital expects increased volume at the CTC.

The projected related fund financing will be issued by the Illinois Finance Authority and the term is 30 years, with the anticipated interest rate of 4.5%. The bonds support the clinical aspects of the project.

**Availability of Funds  
Financial Viability Waiver**

N/A – See attached proof of Bond Rating of A or better.



## CREDIT OPINION

6 September 2016

New Issue



## Contacts

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## OSF Healthcare System, IL

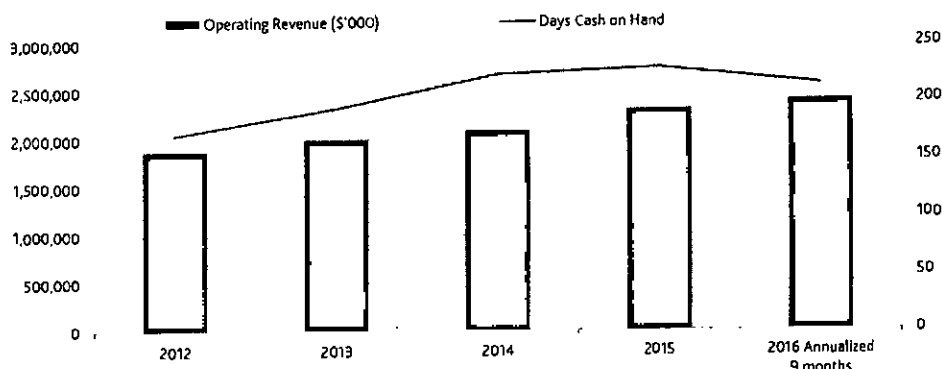
New Issue – Moody's Assigns A2 to OSF Healthcare System's (IL) Ser. 2016; Outlook Stable

## Summary Rating Rationale

Moody's Investors Service assigns an A2 to OSF Healthcare System's \$114 million of proposed Series 2016 fixed rate bonds to be issued by the Illinois Finance Authority. The bonds are expected to mature in 2039. The A2 on approximately \$950 million of outstanding debt is affirmed. The outlook is stable.

The A2 is based on OSF's large presence as a multi-site system in northern, central, and southern Illinois, leading market position in the largest market, and strong and liquid investment position. OSF's challenges include higher-than-average direct leverage, sizable indirect obligations, competition in most markets, and variable operating performance.

Exhibit 1  
 Good Liquidity During Period of Revenue Growth



Source: Moody's Investors Service

## Credit Strengths

- » Large, multi-site system in northern, central, and southern Illinois with close to \$2.5 billion in revenue, supported by investments in physicians and facilities and progressive IT capabilities
- » Leading market position and regional referral draw for OSF's flagship location in Peoria
- » Very good and liquid investment position with 214 days cash on hand at June 30, 2016
- » Manageable debt structure risks with over 300% monthly liquidity-to-demand debt

## Credit Challenges

- » Strong competition in largest markets with competitors owned or closely affiliated with larger parent organizations
- » High leverage with relatively high 4.2 times debt-to-cashflow and 49% direct debt-to-revenue and moderate 111% cash-to-direct debt
- » Sizable indirect debt, including operating lease and pension obligations, driving modest 68% cash-to-comprehensive debt
- » History of variable operating cashflow margins, including decline in FY2016 following two years of improvement

## Rating Outlook

The stable outlook reflects expectations that OSF's operating and strategic investments will stabilize margins. The outlook incorporates an assumption of no incremental leverage and manageable capital spending levels, which should drive investment growth levels and balance sheet deleveraging.

## Factors that Could Lead to an Upgrade

- » Significant reduction in balance sheet leverage, including pension obligation
- » Reduction in operating leverage (debt-to-cashflow and debt-to-revenue)
- » Sustained improvement in operating cashflow margin

## Factors that Could Lead to a Downgrade

- » Materially dilutive acquisition or merger
- » Prolonged decline in margins
- » Meaningful increase in leverage

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

OSF Healthcare System, IL

	2012	2013	2014	2015	2016 Annualized 9 months
Operating Revenue (\$'000)	1,884,151	1,994,993	2,087,700	2,308,548	2,400,397
3 Year Operating Revenue CAGR (%)	6.5	7.6	5.6	7.0	6.4
Operating Cash Flow Margin (%)	7.8	5.8	8.9	10.0	8.3
PM: Medicare (%)	44.6	44.1	45.3	45.7	N/A
PM: Medicaid (%)	15.9	15.3	18.1	20.0	N/A
Days Cash on Hand	171	194	223	229	214
Unrestricted Cash and Investments to Total Debt (%)	93.7	115.6	130.0	114.9	111.4
Total Debt to Cash Flow (x)	4.2	4.6	3.4	3.8	4.2

Based on OSF Healthcare System and Subsidiaries, audits ended September 30; fiscal year 2016 reflects unaudited nine months ended June 30 annualized

Non-recurring items or adjustments: All years exclude gifts and investment income from operating revenue and reclassify net settlement of derivatives to operating expenses; FY15 excludes \$10.6 million of prior period supplemental Medicaid payments

Investment returns normalized at 6% prior to FY 2015 and 5% in FY 2015 and beyond

Source: Moody's Investors Service

## Recent Developments

Recent developments are incorporated into the Detailed Rating Considerations section.

## Detailed Rating Considerations

### Market Position: Large Multi-Site System Operating in Competitive Markets

Over the last several years, OSF has been consolidating and integrating clinical and support areas to reduce variation, improve quality, and improve productivity and reduce costs. The system's flagship hospital in Peoria has benefitted from significant investments with increased volumes from a broader regional service area and higher acuity. OSF completed the installation of an electronic medical record (EMR) system several years ago, which allows more advanced predictive analysis. The system has invested heavily in care coordinators in most regions to support population health management. These strategies are allowing OSF to take on more shared savings and risk arrangements with payers.

OSF continues to make investments in facilities and physicians to compete in competitive markets. Most of OSF's competitors are owned or closely aligned with large healthcare systems. OSF has maintained a strong leading market position in the Peoria market. The system's second largest market in Rockford is very competitive with two other providers, both of which are part of Wisconsin-based systems that are investing in upgrading facilities. OSF's capital investment in Rockford, discussed below, will enhance its competitive position in the market.

### Operating Performance, Balance Sheet and Capital Plans: Variable Margins But Very Good Liquidity

Following two years of improved performance through FY 2015, the system reported a decline nine months year-to-date FY 2016. Adjusted for the items noted below, OSF had a 8.3% operating cashflow margin year-to-date FY 2016, compared with 10% for full FY 2015. Volume growth in 2016 has been strong, driving same-facility revenue growth of 4%. OSF has also benefitted from Medicaid expansion and supplemental payments. The operating decline was primarily due to a large increase in contractual allowances related to prior year revenue following the installation of a new software to estimate receivables collections, increased pharmaceutical costs and a reserve related to estimated losses under the Medicare NextGen ACO payment model. Performance by region is mixed. The Peoria area has been strong due to volume growth, especially in more profitable regional referrals and ambulatory services. Rockford has experienced sizable losses, more recently due to the contractual adjustments noted above. Some of the smaller hospitals experienced losses, including newly acquired Alton.

The system's operating and strategic initiatives should help the system mitigate challenges affecting FY 2016. OSF is in the third year of a 4-year cost reduction program and reports achieving over \$140 million in improvements to date. Major initiatives include reimbursement opportunities, productivity improvement, and supplies.

Capital spending is increasing in FY 2016 but at manageable levels relative to cashflow. Spending is projected at approximately \$190 million and \$170 million in FY 2016 and FY 2017, respectively, averaging 1.6 times depreciation expense, and will be funded with bond proceeds from the Series 2015 offering and cashflow. The largest project is a \$85 million bed pavilion in the Rockford market.

#### LIQUIDITY

OSF's liquidity is very good with 214 days cash on hand at June 30, 2016. While capital spending is increasing, it is under current operating cashflow levels, which should allow the system at least to maintain liquidity. OSF maintains a conservative and liquid asset allocation with 72% invested in cash and fixed income at FYE 2015. OSF has been negatively affected by high Medicaid receivables.

#### Debt Structure and Legal Covenants: High Direct and Indirect Leverage

OSF has higher than average balance sheet and operating leverage including a high 4.2 times debt-to-cashflow and moderate 111% cash-to-direct debt based on annualized year-to-date FY 2016 results. Maximum annual debt service coverage is below average at 4.0 times. No incremental leverage is expected at this time.

#### DEBT STRUCTURE

Debt structure risks are manageable with over 300% monthly liquidity-to-demand debt. Demand debt, including bank provided letters of credit and private placements, are diversified among banks and commitment periods. OSF has ample room under financial covenants, which include 1.1 times debt service coverage and 75 or 80 days cash on hand, depending on whether covenants apply to banks or insurer.

#### DEBT-RELATED DERIVATIVES

As of June 30, 2016 OSF is a party to numerous interest rate swap agreements with a total notional amount of \$457 million, including an interest rate lock related to the Series 2016 bonds, which will be terminated in conjunction with the Series 2016 bond issuance. As of June 30, 2016, the cumulative mark to market valuation of the swaps was a negative \$76 million (based on management data). The fixed payer swaps are insured by Assured Guaranty. Collateral posting is not required unless Assured's rating falls below A3 or the equivalent by at least one rating agency; the system has not had to post collateral.

#### PENSIONS AND OPEB

OSF's pension plan is a Church plan and, therefore, not subject to ERISA requirements. The plan was frozen in March 2011. The system's philosophy has been to fund at pension expense levels. However, compared with other health systems, the pension obligation is large at \$349 million at FYE 2015 (60% funded), despite a decline following a \$50 million contribution last year. Combined with operating leases, cash-to-comprehensive debt is moderate at 68% for fiscal year 2015. In May 2016, litigation was filed challenging OSF's Church plan status. Given uncertainties regarding the outcome of this litigation, the rating does not incorporate any potential funding requirements.

#### Management and Governance

OSF has been migrating from a holding company model to a consolidated and integrated model, which we view favorably in allowing more effective and timely execution of operating and strategic initiatives. Most recently, the system's physician enterprise was consolidated into one multi-specialty group as of January 2016. The system has a disciplined approach to capital spending which is tied to cashflow generation at the individual hospitals.

#### Legal Security

Legal security for the bonds is a security interest in the Unrestricted Receivables of the Members of the Obligated Group, which make up most of the system. Members of the Obligated Group include OSF Healthcare System (which includes most system hospitals), Ottawa Regional Hospital & Healthcare Center, Ottawa Regional Hospital Foundation, Saint Anthony's Physician Group (Alton) and the OSF Multi-Specialty Group. Saint Anthony's Physician Group will withdraw from the obligated group since all virtually practitioners and assets have been moved to the OSF Multi-Specialty Group.



## Use of Proceeds

Proceeds of the Series 2016 bonds will be primarily used to refund certain maturities of the Series 2010A bonds.

## Obligor Profile

OSF Healthcare System operates eleven acute care hospitals and a large multi-specialty physician group. Ten of the system's hospitals are located in Illinois; OSF also owns a small critical access hospital in the Upper Peninsula of Michigan. The System's largest hospital, OSF Saint Francis Medical Center in Peoria, Illinois, is a 609-licensed bed tertiary care teaching center.

## Methodology

The principal methodology used in this rating was Not-For-Profit Healthcare Rating Methodology published in November 2015. Please see the Ratings Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

## Ratings

Exhibit 3

### OSF Healthcare System

Issue	Rating
Revenue Bonds, Series 2016	A2
Rating Type	Underlying LT
Sale Amount	\$113,610,000
Expected Sale Date	09/15/2016
Rating Description	Revenue: Other

Source: Moody's Investors Service

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REPORT NUMBER 1039421

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

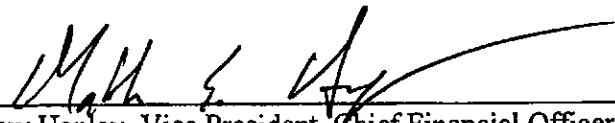
### **Economic Feasibility**

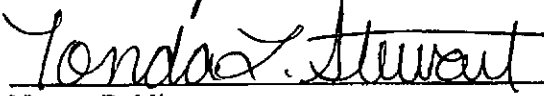
The direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion: \$990 (per encounter) per equivalent patient day (projected 2019).

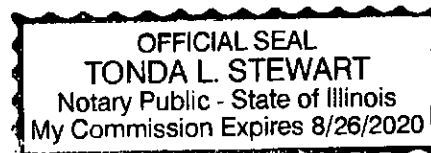
The total projected annual capital costs (in current dollars per equivalent patient day) for the first full year at target utilization (which is anticipated to be within two years following project completion): \$zero.

### Economic Feasibility

The selected form of debt financing will be at the lowest cost available, or if not it will be more advantageous due to other terms, such as pre-payment privileges, lack of security interest, time of the loan or other reasons.

  
Mathew Hanley, Vice President, Chief Financial Officer

Subscribed and sworn to before me this  
28<sup>th</sup> day of September 2017  
  
Tonda L. Stewart  
Notary Public



See below chart reflecting the reasonableness of the costs per the State Board standards.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Clinical	\$427		6738	2946			4,138,110		4,138,110
Contingency	\$34						325,804		325,804
TOTALS	\$461		9684				4,464,324		4,464,324

\* Include the percentage (%) of space for circulation

NOTE: The project slightly exceeds the cost standard when adjusted to the middle of project construction. The justification for exceeding the cost standard is due to the special building requirements associated with the linear accelerator, which exceed \$1M due to the vault requirements.

## Charity Care

See below charity care information for OSF Healthcare System for the last three audited fiscal years.

<b>CHARITY CARE - OSF HEALTHCARE SYSTEM</b>			
	<b>Year 2014</b>	<b>Year 2015</b>	<b>Year 2016</b>
<b>Net Patient Revenue</b>	\$1,800,620,959	\$1,917,020,581	\$1,970,497,456
Amount of Charity Care (charges)	\$221,417,876	\$123,694,713	\$121,815,596
Cost of Charity Care	\$45,062,165	\$24,351,000	\$25,170,596

<b>SAHC</b>		
<b>2014</b>	<b>2015</b>	<b>2016</b>
55,524,113	71,846,989	72,856,853
9,696,400	9,045,839	5,302,094

2,074,060	2,045,264	1,063,070
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October 5, 2017

VIA FEDEX

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 W. Jefferson Street, 2nd Floor  
Springfield, IL 62761

Re: OSF Healthcare System/OSF Saint Anthony's Health Center, Alton –  
Cancer Treatment Center

Dear Ms. Avery:

Enclosed is a certificate of need application for construction of a building to provide cancer treatment services on OSF Saint Anthony's Health Center's campus in Alton, Illinois. Also enclosed is the applicable filing deposit fee.

Thank you.

Very truly yours,

  
Clare E. Connor

CCR/amm

cc: Mike Constantino  
Sr. M. Ansilma, FSGM  
Mark Hohulin

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